

# New Medicare drug coverage makes debut

By William M. Welch, USA TODAY

Starting Saturday, insurance companies can market a historic new drug benefit to Medicare recipients.

All Americans on Medicare will be eligible for the drug coverage, regardless of income. The sign-up period doesn't begin until Nov. 15, but companies offering plans in cooperation with Medicare can begin educating and selling seniors on their versions on Saturday.

## How it works

Here's how the basic benefit works. Some plans might be more generous than this:

- The individual pays the first \$250 in annual drug costs. That is called a \$250 deductible.
- The individual pays 25% of their next \$2,000 in annual drug costs, so the program pays up to \$1,500 and the individual pays up to \$500.
- After \$2,250 in annual costs, the program pays nothing, and the individual pays all the next \$2,850 in drug bills.
- After \$5,100 in drug bills, benefit protections kick in. The program pays 95% of drug costs above \$5,100, and the individual pays 5%.

During this information period, the nation's 42 million Medicare recipients can expect to be deluged with an array of complicated choices for the new benefit, called Part D.

This is the first time that recipients of traditional Medicare can get most drugs covered without enrolling in a Medicare Advantage HMO option.

But the new benefit program will pay only a portion of a recipient's drug expenses. And the benefit will come at a cost: Premiums will average \$32 a month. The actual amount will vary, as each insurance company will set its own charges and benefit packages. Some will offer lower co-pays but charge higher premiums.

Enrollment is voluntary. Seniors who don't sign up by May 15 but later decide they want the coverage will face penalties in the form of higher premiums.

## How the new program works

Subscribers to the standard Medicare prescription drug benefit will pay monthly premiums of about \$30 per month. Portion of drug costs paid by subscribers beginning Jan. 1:

Cumulative drug spending	Amount of coverage	What subscribers pay
Below \$250	none	Full amount
\$251 to \$2,250	75%	25%
\$2,251 to \$5,099	none	Full amount
\$5,100 and above	95%	5%

Source: Kaiser Family Foundation

Seniors will have to sort through competing benefit plans and decide which will save them the most and cover the drugs they take.

Some key features:

- The new benefit begins Jan. 1. Most of the drug-coverage costs are paid by the federal government through private insurers.
- The coverage is not based on income. Anyone on Medicare can enroll, but the poor will be eligible for subsidies to cover out-of-pocket expenses, including premiums, co-payments and deductibles. An estimated 14 million seniors, one-third of the Medicare population, will be eligible for additional aid in 2006.
- The cost of the coverage will vary depending on the private insurance plan individuals choose. Although the average monthly premium will be \$32 in 2006, insurance plans can offer cheaper rates to attract seniors, and many will. They can also offer higher-cost options with greater benefits. In most states, basic plans costing as little as \$20 a month will be available.

## Drug benefit's impact

Comparison of annual total of prescription spending before and after the new program takes effect:

Now

Under new law\*

\$1,200	\$833
\$3,000	\$1,710
\$6,000	\$3,990
\$12,000	\$4,275
* — includes \$30 monthly drug premium	
Source: Kaiser Family Foundation	

- Those who have drug coverage now with their employers' retiree policies can keep that coverage as long as it is as good as the basic Part D benefit.
  - Some seniors already get drugs covered through non-traditional Medicare programs known as Medicare Advantage. These are like HMOs that include drug coverage with other health care. They will continue to be available and will be expanded.
  - The amount of savings depends on how much an individual spends on prescription medicines each year.
  - Low-income seniors may qualify for bigger savings. For those who qualify, the federal government will pay 85% to 100% of their costs. Poorer seniors will have more of their costs covered.
- To qualify for this additional savings, seniors must have incomes of less than \$14,355 for individuals and \$19,245 for couples, and limited assets. Savings, investments and real estate other than a home must be worth not more than \$11,500 for individuals and \$23,000 for couples. Seniors who receive Medicaid or Supplemental Security Income payments and are on Medicare will automatically qualify for the additional savings, including subsidies to help pay premiums.
- Not every private plan will cover every drug. Seniors will need to examine the list of covered drugs for each insurance plan they are considering and compare it with their prescriptions. Some plans may exclude certain brand-name drugs while covering cheaper generic substitutes.
  - Ten companies will offer Part D plans nationwide. In addition, many companies will offer competing plans in certain states.
  - When ready to sign up, seniors can do so in several ways. They can enroll on paper with the company they have chosen or by going to that company's website. Or, they can sign up at Medicare's website, [www.medicare.gov](http://www.medicare.gov). Or, they can sign up by phone by calling 800-MEDICARE (1-800-633-4227).